



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Defiance County
Defiance County
1300 East Second Street, Suite 201
Defiance, Ohio 43512-2482

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation of Defiance County, Ohio (the CIC), (a not-for-profit corporation), which comprise the statement of financial position, the related statements of activities, functional expenses, and cash flows, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the CIC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the CIC's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Community Improvement Corporation of Defiance County, Ohio, as of December

31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2017, on our consideration of the CIC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CIC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 14, 2017

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

Current Assets:	
Cash and Cash Equivalents	\$ 82,594
Loans Receivable	240,059
Total Current Assets	<u>322,653</u>
Property & Equipment:	
Office Equipment	19,526
Less: Accumulated Depreciation	(17,930)
Net Property & Equipment	<u>1,596</u>
Total Assets	<u><u>\$ 324,249</u></u>
Current Liabilities:	
Accrued Payroll Taxes	\$ 126
Total Current Liabilities	<u>126</u>
Total Liabilities	<u>126</u>
Net Assets:	
Unrestricted	324,123
Total Net Assets	<u>324,123</u>
Total Liabilities and Net Assets	<u><u>\$ 324,249</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Revenues:	
Public and Private Support	\$ 322,986
Enterprise Zone Fees	41,499
Interest Income	3,886
Total Revenues	<u>368,371</u>
Expenses:	
Program Services: Economic Development	265,441
Support Services: General Administrative	62,142
Total Expenses	<u>327,583</u>
Change in Net Assets	40,788
Net Assets, Beginning of Year	<u>283,335</u>
Net Assets, End of Year	<u><u>\$ 324,123</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Program Services	Supporting Services	Total Expenses
Advertising	\$ 2,290	\$ -	\$ 2,290
Consulting	3,785	-	3,785
Depreciation	475	475	950
Enterprise Zone Payments to Other Entities	37,022		37,022
Fringe Benefits	14,820	2,615	17,435
Insurance	1,103	1,103	2,206
Legal & Professional	-	4,700	4,700
Memberships	3,319	3,319	6,638
Office Supplies	1,545	4,633	6,178
Development	35,000	-	35,000
Postage	416	416	832
Promotion & Planning	44,509	-	44,509
Rent	8,940	2,980	11,920
Salary	99,896	33,299	133,195
Software	1,749	1,750	3,499
Staff Training	953	318	1,271
Telephone	4,628	1,543	6,171
Travel & Entertainment	4,991	4,991	9,982
Total	\$ 265,441	\$ 62,142	\$ 327,583

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 40,788
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	949
Increase in Loans Receivable	(97,235)
(Decrease) in Accrued Payroll Taxes	(336)
Total Adjustments	<u>(96,622)</u>
Net Cash Used in Operating Activities	<u>(55,834)</u>
Net Decrease in Cash and Cash Equivalents	(55,834)
Cash and Cash Equivalents at Beginning of Year	<u>138,428</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 82,594</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Community Improvement Corporation of Defiance County (the "CIC") is incorporated as a corporation, not for profit, under section 1724.01 of the revised code of the State of Ohio, to advance, encourage and promote the industrial, economic, commercial and civic development of Defiance County.

Basis of Accounting - The financial statements of the CIC have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The CIC does not have any temporarily restricted or permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the CIC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

Accounts Receivable - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The CIC provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances. It is the CIC's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment - Property and equipment are stated at cost. Depreciation for financial reporting is computed using accelerated methods and for federal tax reporting is computed using the modified accelerated cost recovery method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Maintenance and repairs are charged to expense as incurred.

Management Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Income Tax Status - The CIC is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The CIC's federal Exempt Organization Business Income Tax Returns for 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Advertising - Advertising costs are charged to expense as incurred.

Expense Allocation - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the CIC.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Unless specifically restricted by the donor, all contributions and grants are considered to be available for unrestricted use in the activities of the CIC.

The Board of Directors has discretionary control of the unrestricted net assets to use in the activities of the CIC.

NOTE 2 - RETIREMENT PLAN

The CIC maintains a Savings Incentive Match Plan for Employees (SIMPLE) retirement plan through American Funds for qualified employees. The CIC contributes 3% of the employees' compensation to the plan. Contributions for 2016 were \$5,823.

NOTE 3 - CONCENTRATION

For the year ended December 31, 2016, the CIC received 60.4% of its revenue from Defiance County, City of Defiance and the Village of Hicksville. Excluding economic development pass through revenue of \$35,000, 57.1% of the CIC's revenue was received from these local sources.

NOTE 4 - LEASES

Beginning October 21, 2005, the CIC began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. Rent is being charged at a rate of \$993 per month for 2016. Lease expense was \$11,920 for the year ended December 31, 2016. The lease is renewable each year for a period of one year.

NOTE 5 - LOANS RECEIVABLE

Loans receivable represents a business development loan program. A summary of the loan activity is as follows:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Business Development Loan	\$ 142,823	110,000	(12,764)	\$ 240,059

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE 6 - PROPERTY AND EQUIPMENT

Property and Equipment activity for the year ended December 31, 2016, was as follows:

	<u>Balance</u> <u>January 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2016</u>
<i>Property & Equipement, being depreciated:</i>				
Office Equipment	\$ 19,526	\$ -	\$ -	\$ 19,526
Total, being depreciated	<u>19,526</u>	<u>-</u>	<u>-</u>	<u>19,526</u>
<i>Less: accumulated depreciation:</i>				
Office Equipment	<u>(16,980)</u>	<u>(950)</u>	<u>-</u>	<u>(17,930)</u>
Total accumulated depreciation	<u>(16,980)</u>	<u>(950)</u>	<u>-</u>	<u>(17,930)</u>
Total Property & Equipment, being depreciated, net	<u>\$ 2,546</u>	<u>\$ (950)</u>	<u>\$ -</u>	<u>\$ 1,596</u>

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**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

Current Assets:	
Cash and Cash Equivalents	\$ 138,428
Loans Receivable	142,823
Total Current Assets	<u>281,251</u>
Property & Equipment:	
Office Equipment	19,526
Less: Accumulated Depreciation	<u>(16,980)</u>
Net Property & Equipment	<u>2,546</u>
Total Assets	<u><u>\$ 283,797</u></u>
Current Liabilities:	
Accrued Payroll Taxes	<u>\$ 462</u>
Total Current Liabilities	<u>462</u>
Total Liabilities	<u>462</u>
Net Assets:	
Unrestricted	<u>283,335</u>
Total Net Assets	<u>283,335</u>
Total Liabilities and Net Assets	<u><u>\$ 283,797</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenues:	
Public and Private Support	\$ 1,003,538
Enterprise Zone Fees	4,115
Interest Income	3,022
	<hr/>
Total Revenues	1,010,675
Expenses:	
Program Services: Economic Development	937,930
Support Services: General Administrative	60,105
	<hr/>
Total Expenses	998,035
Change in Net Assets	12,640
Net Assets, Beginning of Year	<hr/> 270,695
Net Assets, End of Year	<hr/> \$ 283,335

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		
	Program Services	Supporting Services	Total Expenses
Advertising	\$ 13,295	\$ -	\$ 13,295
Consulting	2,057	-	2,057
Depreciation	802	801	1,603
Fringe Benefits	14,831	2,617	17,448
Insurance	1,103	1,103	2,206
Legal & Professional	-	4,368	4,368
Memberships	2,885	2,885	5,770
Miscellaneous	12	13	25
Office Supplies	1,455	4,364	5,819
Development	743,692	-	743,692
Postage	476	475	951
Promotion & Planning	42,183	-	42,183
Rent	8,035	2,678	10,713
Salary	94,912	31,637	126,549
Software	1,661	1,662	3,323
Staff Training	225	75	300
Telephone	4,321	1,442	5,763
Travel & Entertainment	5,985	5,985	11,970
Total	<u>\$ 937,930</u>	<u>\$ 60,105</u>	<u>\$ 998,035</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 12,640
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	1,603
Decrease in Note Receivable	6,172
(Decrease) in Accrued Payroll Taxes	<u>(3,330)</u>
Total Adjustments	<u>4,445</u>
Net Cash Used in Operating Activities	<u>17,085</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Property and Equipment	<u>(512)</u>
Net Cash Used in Investing Activities	<u>(512)</u>
Net Increase in Cash and Cash Equivalents	16,573
Cash and Cash Equivalents at Beginning of Year	121,855
Cash and Cash Equivalents at End of Year	<u><u>\$ 138,428</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity - The Community Improvement Corporation of Defiance County (the "CIC") is incorporated as a corporation, not for profit, under section 1724.01 of the revised code of the State of Ohio, to advance, encourage and promote the industrial, economic, commercial and civic development of Defiance County.

Basis of Accounting - The financial statements of the CIC have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The CIC does not have any temporarily restricted or permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the CIC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

Accounts Receivable - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The CIC provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances. It is the CIC's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment - Property and equipment are stated at cost. Depreciation for financial reporting is computed using accelerated methods and for federal tax reporting is computed using the modified accelerated cost recovery method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Maintenance and repairs are charged to expense as incurred.

Management Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Income Tax Status - The CIC is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The CIC's federal Exempt Organization Business Income Tax Returns for 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Advertising - Advertising costs are charged to expense as incurred.

Expense Allocation - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the CIC.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Unless specifically restricted by the donor, all contributions and grants are considered to be available for unrestricted use in the activities of the CIC.

The Board of Directors has discretionary control of the unrestricted net assets to use in the activities of the CIC.

NOTE 2 - RETIREMENT PLAN

The CIC maintains a Savings Incentive Match Plan for Employees (SIMPLE) retirement plan through American Funds for qualified employees. The CIC contributes 3% of the employees' compensation to the plan. Contributions for 2015 were \$5,823.

NOTE 3 - CONCENTRATION

For the year ended December 31, 2015, the CIC received 89.8% of its revenue from Defiance County, City of Defiance and the Village of Hicksville. Excluding economic development pass through revenue of \$747,500, 62.4% of the CIC's revenue was received from these local sources.

NOTE 4 - LEASES

Beginning October 21, 2005, the CIC began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. Rent is being charged at a rate of \$973.88 per month for 2015. Lease expense was \$10,713 for the year ended December 31, 2015. The lease is renewable each year for a period of one year.

NOTE 5 - LOANS RECEIVABLE

Loans receivable represents a business development loan program. A summary of the loan activity is as follows:

	Balance 12/31/14	Additions	Deletions	Balance 12/31/15
Business Development Loan	\$ 148,995	-	(6,172)	\$ 142,823

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 6 - PROPERTY AND EQUIPMENT

Property and Equipment activity for the year ended December 31, 2015, was as follows:

	<u>Balance</u> <u>January 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2015</u>
<i>Property & Equipment, being depreciated:</i>				
Office Equipment	\$ 20,449	\$ 512	\$ (1,435)	\$ 19,526
Total, being depreciated	<u>20,449</u>	<u>512</u>	<u>(1,435)</u>	<u>19,526</u>
<i>Less: accumulated depreciation:</i>				
Office Equipment	<u>(16,812)</u>	<u>(1,603)</u>	<u>1,435</u>	<u>(16,980)</u>
Total accumulated depreciation	<u>(16,812)</u>	<u>(1,603)</u>	<u>1,435</u>	<u>(16,980)</u>
Total Property & Equipment, being depreciated, net	<u>\$ 3,637</u>	<u>\$ (1,091)</u>	<u>\$ -</u>	<u>\$ 2,546</u>

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Community Improvement Corporation of Defiance County
Defiance County
1300 East Second Street, Suite 201
Defiance, Ohio 43512-2482

To the Board of Directors:

We have audited, in accordance with audit standard generally accepted in the United States and the Comptroller General of the United States' *Governmental Auditing Standards*, the financial statements of the Community Improvement Corporation of Defiance County, Ohio (the CIC) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the CIC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the CIC's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the CIC's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the CIC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The CIC's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the CIC's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the CIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the CIC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 14, 2017

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the ultimate responsibility of the CIC Executive Director and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is fairly stated.

The CIC lacked a policy over financial statement reviews which contributed to a material reporting discrepancy occurring without detection. In 2016, \$37,022 in enterprise zone payments due to other entities were recorded as a reduction to the revenue line item instead of being reported in an expense account., and thus understated total revenues and expenses on the Statement of Activities as well as understated expenses on the Statement of Functional Expenses.

As a result, the CIC's financial statements did not correctly reflect the financial activity of the CIC. The CIC's financial statements have been adjusted to correct the aforementioned discrepancy.

We recommend the CIC develop policies and procedures, including a final review of the financial statements and notes to the financial statements by the Executive Director and Board of Directors to identify and correct errors and omissions.

Officials' Response:

Defiance County CIC acknowledges the receipt of findings regarding the enterprise zone payments not being recorded as revenue.

In the future, we will incorporate an accounting policy of recognize enterprise zone payments as revenue instead of offsets to the expenses.

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Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY

DEFIANCE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 12, 2017**